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PTQ8662

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ACTION WHA-00

INFO	LOG-00	MFA-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00
	DINT-00	DODE-00	PERC-00	SRPP-00	DS-00	EB-00	EXIM-01
	E-00	VC-00	FRB-00	H-01	TEDE-00	INR-00	ITC-01
	L-00	VCE-00	AC-01	NSAE-00	OES-00	OMB-01	OPIC-01
	PA-00	PM-00	PRS-00	ACE-00	P-00	SP-00	IRM-00
	SSO-00	STR-00	TRSE-00	USIE-00	EPAE-00	PMB-00	DSCC-00
	PRM-00	DRL-02	G-00	NFAT-00	SAS-00	/009W	
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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC IMMEDIATE 9528
INFO DEPT OF COMMERCE WASHDC PRIORITY
DEPT OF ENERGY WASHDC PRIORITY
NSC WASHDC PRIORITY
OPEC COLLECTIVE
AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY MEXICO
AMEMBASSY PORT OF SPAIN
AMEMBASSY QUITO
AMEMBASSY SANTIAGO

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NSC FOR LLORENS

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ENERGY FOR D.PHUMPHREY, A.LOCKWOOD, M.BILLIG, AND B.MARCOIS
STATE PASS USAID FOR DCHA/OTI - R.ULLRICH AND R.PORTER

E.O. 12958: DECL: 01/10/2013
TAGS: EPET, PGOV, ASEC, VE
SUBJECT: VENEZUELA ENERGY UPDATE: JANUARY 10, 2003

CLASSIFIED BY: AMBASSADOR CHARLES S. SHAPIRO, REASONS 1.5 (B) AND (D)

SUMMARY

1. (C) ANECDOTAL EVIDENCE SUPPORTS GOV STATEMENTS THAT OIL

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PRODUCTION IS INCREASING (ALTHOUGH NOT AS MUCH OIL AS IT CLAIMS). GAS RE-INJECTION IN THE EAST IS INCREASING WITH THE ACCOMPANYING LIKELIHOOD THAT CRUDE PRODUCTION IS INCREASING. THIRD-PARTY OPERATORS HAVE BEEN APPROACHED ABOUT RESUMING PRODUCTION. INTERNATIONAL OPERATORS ARE READY TO GET BACK TO WORK BUT FACE BEING ASKED TO "CHOOSE SIDES" IN THE STRIKE. END SUMMARY.

OIL PRODUCTION

2. (C) MINISTER OF ENERGY AND MINES RAFAEL RAMIREZ CONTINUES TO INSIST THAT OIL PRODUCTION WILL REACH 1.5 MILLION B/D BY THE END OF THE WEEK OF JANUARY 13. MOST INDUSTRY SOURCES BELIEVE THIS IS IMPOSSIBLE, BUT IF THE GOV CAN NORMALIZE SHIPPING OPERATIONS AND PDVSA CAN COORDINATE CRUDE PIPELINE

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TRANSPORTATION, PRODUCTION COULD BE RAMPED UP RELATIVELY QUICKLY WITH THE HELP OF THE INTERNATIONAL OPERATORS.

3. (C) [REDACTED] INFORMED ECONOFF JANUARY 9 THAT WILLIAMS' GAS COMPRESSION IN THE EAST HAS REACHED ABOUT 900 MILLION CUBIC FEET PER DAY. ACCORDING TO [REDACTED] ITS THREE GAS PROJECTS NORMALLY RE-INJECT APPROXIMATELY 2.6 BCFD. FOLLOWING A BACK OF THE ENVELOPE CALCULATION, [REDACTED] ASSERTED THAT IF HIS COMPANY OPERATIONS ARE ABOUT ONE-THIRD OF NORMAL, CRUDE OIL PRODUCTION OUT OF THE EASTERN PRODUCTION AREA COULD ALSO BE ASSUMED TO BE ABOUT ONE-THIRD OF THE NORMAL 930,000 B/D PRODUCTION (310,000 BARRELS). HOWEVER, HE CAUTIONED THAT MANY OF THE RESERVOIRS IN EASTERN VENEZUELA HAVE GAS ON TOP OF THE OIL. IN THESE CIRCUMSTANCES, WHEN PRODUCTION IS FIRST STARTED UP, THERE IS A HIGHER GAS/OIL RATIO. [REDACTED] ACCORDINGLY SAID THAT HIS CALCULATION SHOULD BE SCALED BACK BY SEVERAL HUNDRED THOUSAND BARRELS. HE UNDERLINED, HOWEVER, THAT THE INCREASED GAS ACTIVITY, WHICH DATES FROM EARLY IN THE WEEK OF JANUARY 6, IS A SIGNIFICANT INDICATOR THAT MORE OIL IS BEING PRODUCED.

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4. (C) ECONOFF TALKED TO TWO SMALL THIRD-PARTY OPERATORS JANUARY 9 WHO CONFIRMED THAT THEY HAVE BEEN CONTACTED BY PDVSA TO RECOMMENCE PRODUCTION. ONE COMPANY TOLD ECONOFF THAT IT HAD RECEIVED SEVERAL LETTERS FROM PDVSA SINCE THE END OF DECEMBER ABOUT RESUMING PRODUCTION BUT WHEN IT TALKED DIRECTLY WITH PDVSA PERSONNEL IN ANACO ABOUT STORAGE SPACE,

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WAS TOLD THAT THERE IS NO SPACE FOR ADDITIONAL PRODUCTION.
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THE PDVSA EXECUTIVES WITH WHOM THESE COMPANIES HAVE ALWAYS
WORKED HAVE, FOR THE MOST PART, BEEN FIRED AND REPLACED WITH
OTHERS WHO SEEM TO HAVE LESS OPERATIONAL KNOWLEDGE. ONCE THE
OIL DOES HAVE SOMEWHERE TO GO, THE FLOW SHOULD BE IMMEDIATE.
ALTHOUGH STORAGE FIGURES ARE EXTREMELY DIFFICULT TO OBTAIN,
ONE OPERATOR INFORMED ECONOFF THAT THE INDUSTRY NORM FOR
STORAGE IS 2 1/2 DAYS OR PRODUCTION.

PRESSURE TO CHOOSE SIDES

5. (C) WHILE FOREIGN OPERATORS ARE READY TO GET BACK TO WORK,
THEY ARE FACED WITH THE POSSIBILITY OF APPEARING TO SUPPORT
THE CHAVEZ REGIME BY RESUMING PRODUCTION OR OTHER OPERATIONS.

WHILE THEY ARGUE THAT RAMPING UP PRODUCTION OR PROVIDING
OTHER SERVICES IS NOT A POLITICAL ISSUE, BUT RATHER AN ISSUE
OF COMPLYING WITH THEIR CONTRACTS, THE PDVSA OPPOSITION DOES
NOT AGREE AND WE HAVE RECEIVED A NUMBER OF REPORTS ABOUT
PRESSURE BEING PUT ON COMPANIES TO "CHOOSE SIDES." [REDACTED]

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[REDACTED] REPORTED TO ECONOFF THAT HE HAD RECEIVED A
DELEGATION FROM THE PDVSA OPPOSITION ON JANUARY 10 WHICH
WANTS HIM TO SHUTDOWN GAS RE-INJECTION.

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	DSCC-00	PRM-00	DRL-02	G-00	NFAT-00	SAS-00	/010W

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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC IMMEDIATE 9529
INFO DEPT OF COMMERCE WASHDC PRIORITY
DEPT OF ENERGY WASHDC PRIORITY
NSC WASHDC PRIORITY
OPEC COLLECTIVE

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C O N F I D E N T I A L SECTION 02 OF 02 CARACAS 000101

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POST-STRIKE CONTRACT COMPLICATIONS COMING

6. (C) [] ALSO UPDATED ECONOFF ON THE STATUS OF THE
CONTRACT TO OPERATE THE JOSE TERMINAL (SEE REFTTEL). WILLIAMS
IS ONE OF THE PARTNERS IN THE INTERNATIONAL CONSORTIUM
(SOCIEDAD WILLIAMS ENBRIDGE Y COMPANIA OR SWEC) WHICH
OPERATES THE TERMINAL. ON DECEMBER 15, AFTER SWEC DECLARED
FORCE MAJEURE, THE VENEZUELAN MILITARY TOOK OVER THE FACILITY
AND HAS SINCE THEN REFUSED TO ALLOW SWEC MANAGEMENT ONTO THE
SITE. VENEZUELAN GOVERNMENT OFFICIALS, INCLUDING PRESIDENT
CHAVEZ IN ONE OF HIS "ALO PRESIDENTE" PERFORMANCES, HAVE
ALLEGED THAT THE CONTRACT HAS BEEN ABROGATED BECAUSE SWEC
ABANDONED THE FACILITY.

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7. (C) [] NOTES THAT SWEC DECLARED FORCE MAJEURE IN
ACCORDANCE WITH ITS CONTRACT WITH THE GOV BECAUSE IT HAD NO
ENVIRONMENTAL OR FIRE FIGHTING SUPPORT AT THE TERMINAL
COMPLEX. HE ADDED THAT THE LACK OF CERTIFIED HARBOR PILOTS
TO BRING SHIPS TO BERTH REINFORCED THE DECLARATION OF FORCE
MAJUERE. UNTIL DECEMBER 15, SWEC MAINTAINED ALL EQUIPMENT
AND KEPT THE TERMINAL IN A "STATE OF READINESS" FOR LIFTING
OPERATIONS. FOLLOWING THE MILITARY ACTION ON DECEMBER 15,
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SWEC MANAGERS HAVE NOT BEEN ALLOWED ON THE SITE. SWEC HAS

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INFORMED THE MINISTRY OF ENERGY AND MINES THAT THE FACILITIES WERE NOT ABANDONED AND THAT IT STANDS READY TO EXECUTE ITS CONTRACTUAL OBLIGATIONS AS SOON AS ENVIRONMENTAL AND SAFETY STANDARDS CAN BE ACHIEVED. NEITHER WILLIAMS NOR SWEC HAS RECEIVED FORMAL NOTIFICATION OF GOV INTENTIONS TO ABROGATE THE CONTRACT. FINALLY, [] ADDED THAT HE HAD JUST LEARNED THAT THE CURRENT TERMINAL OPERATORS SMASHED THE FENDERS ON THE LOADING PLATFORM ON JANUARY 9. THIS IS IN ADDITION TO REPORTS OF DAMAGE TO A LOADING ARM, DAMAGED PUMPS, AND THREE LEAKS.
SHAPIRO

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